

LENDER NOTIFICATION REMINDER

The lender notification that became an annual requirement as of January 1, 2005 is again due from direct lenders who meet specific criteria.

The criteria, excerpted from Business and Professions Code Section 10131.8, are as follows:

A real estate broker who acts pursuant to subdivision (d) of Section 10131 and who meets all of the following requirements shall notify the department annually in writing on a form that is acceptable to the commissioner:

(1) The real estate broker is an approved lender for the Federal Housing Administration, Veterans Administration, Farmers Home Administration, Government National Mortgage Association, Federal National Mortgage Administration, or the Federal Home Loan Mortgage Corporation.

(2) The real estate broker makes residential mortgage loans to a loan applicant for a residential mortgage loan by using or advancing the broker's own funds, or by making a commitment to advance the broker's own funds.

(3) The real estate broker makes the credit decision in the loan transaction.

(4) The real estate broker at all times maintains a tangible net worth, computed in accordance with generally accepted accounting standards, of a minimum of two hundred fifty thousand dollars (\$250,000).

(b) As used in paragraph (2) of subdivision (a), "own funds" means (1) cash, corporate capital, or credit lines at commercial banks, savings banks, savings and loan associations, industrial loan companies, or other sources that are liability items on the real estate broker's financial statements, whether secured or unsecured, or (2) cash, corporate capital, or warehouse credit lines at commercial banks, savings banks, savings and loan associations, industrial loan companies, or other sources that are liability items on the financial statements of an affiliate of the real estate broker, whether secured or unsecured. "Own funds" does not include funds provided by a third party to fund a loan on condition that the third party will subsequently purchase or accept an assignment of the loan.

If you are a lender that meets all of the above criteria please file the notice with the DRE no later than March 31, 2006 stating whether it is your initial notification or your annual notification. If you are a lender that previously met the above criteria but no longer do, please file the notification stating you no longer meet the criteria. The "Residential Mortgage Lender Notification", RE859, can be printed from our Web site at www.dre.ca.gov under "Forms".

Please note that this notice is separate from, and should not be confused with, the report entitled "Residential Mortgage Loan Report" for which there is also a reminder on this Web page. Questions regarding this or any other mortgage loan compliance issue should be directed to the Mortgage Loan Activities Unit at (916) 227-0770.